



CONNECTICUT AFL-CIO

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Tom Carusello

Testimony before the
Insurance and Real Estate Committee
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Chairman Crisco and Fontana and members of the Insurance and Real Estate Committee, my name is Tom Carusello and I am the Political Director for the Connecticut AFL-CIO which represents over 200,000 working men and women in CT.

I am here to strongly support H. B. No. 5308 (RAISED) AN ACT ESTABLISHING A NONPROFIT WORKERS' COMPENSATION INSURANCE COMPANY.

First, a little history. Back in the early 1990's there was a Worker Compensation crisis going on in many states around the country. Some states chose to do what CT did, which was to slash benefits to injured workers while other states took a more reasoned and rational approach.

Our neighbor to the east, Rhode Island, was one of the states that decided to reform their system without the draconian cuts in benefits that we saw here.

Rhode Island, and many other states, decided that they would inject competition into the insurance market by either creating an exclusive state fund to provide WC insurance or charter a competitive state fund that would operate like a mutual insurance company with the policy holders as shareholders.

That was a good decision. Starting with seed money of \$5 million borrowed from the state pension fund, Beacon Mutual Insurance of Rhode Island has grown to become the largest Worker Compensation insurer in that state.

Along with being the number one insurer in Rhode Island, they have consistently reduced insurance premiums for their policy holders. On October 1, 2008, Beacon Mutual adopted a 7.2 percent decrease in rates. That 7.2 percent decrease resulted in approximately \$10 million in premium savings for RI businesses.

That decrease was also the third consecutive policy year that Beacon had adopted a rate reduction. The first 2 rate reductions created \$17 million in savings meaning that over the past 3 years, businesses in Rhode Island have realized \$27 million in premium savings.

The State of Washington, which has an exclusive state fund, has also benefitted businesses in that state. Benefits to injured workers per \$100 in wages are in the top third of the country based on a 2007 study while its premium rates are in the lowest third in the nation.

Moreover, premiums in Washington, for every \$100 of payroll, have decreased an average of 28% since 1990.

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They have also been cited by AM Best, a worldwide insurance rating agency, as spending less than half of what a comparable for-profit insurance company would spend on administration.

And to show that the success stories of these types of non profits are not limited to above the Mason-Dixon line, let's look at the Louisiana Worker Compensation Corporation or LWCC. It is a competitive state fund that began in 1992 and is rates "A" (Excellent) by AM Best.

They have returned to businesses in Louisiana a whopping \$121.8 million in dividends to policyholders of the last 6 years. Additionally, they have lowered overall rates by more than 53% since their inception in 1992.

These stories are repeated all across this country as half the states in America now have either an exclusive or competitive fund. There is one state where this story is not being told and that is here in CT.

This bill, would do no more than create another option for businesses to look at when deciding where to purchase WC insurance. It is not intended to be an exclusive fund. It is not intended to be a state agency. It is intended to be a private, non-profit mutual insurance company that would provide a necessary product to the businesses in CT.

We hear all the time about how unfriendly CT is to business. This bill is not only business friendly but also injured worker friendly.

We look at this as a win-win. We can reduce costs to business to free up money for new equipment or job expansion and at the same time protect the benefits of injured workers. Businesses in CT could look at this option and make a decision based on if it works for them. Truly business friendly.

Let me just end with a couple of paragraphs from the American Association of State Compensation Insurance Funds:

States realize a benefit by having a state fund

"Revenue generated by their funds through premium, benefits, salaries, and operational expenses remain in the state. Fund investments can also boost the state's economy. Some state funds invest reserves in home and commercial mortgages, or in savings in time deposits in state banks. Lower workers' compensation costs to employers is a benefit to a state's economy.

State funds continue to fulfill the mission for which they were created: to provide readily available workers' compensation insurance and benefits to the employer and the worker at the lowest possible cost, and to return the injured worker to full employment at the earliest possible opportunity."